UNITED NATIONS

A

General Assembly

Distr.
GENERAL

A/52/230
15 July 1997

ORIGINAL: ENGLISH

Fifty-second session
Items 38 and 81 of the preliminary list*

SUPPORT BY THE UNITED NATIONS SYSTEM OF THE EFFORTS OF GOVERNMENTS TO PROMOTE AND CONSOLIDATE NEW OR RESTORED DEMOCRACIES

MAINTENANCE OF INTERNATIONAL SECURITY

Letter dated 15 July 1997 from the Chargé d'affaires a.i. of the Permanent Mission of Ukraine to the United Nations addressed to the Secretary-General

On the instructions of my Government, I have the honour to transmit herewith the text of the report presented by Mr. Leonid D. Kuchma, the President of Ukraine, at the ceremonial meeting on the occasion of the first anniversary of the adoption of the Constitution of Ukraine, held at Kiev on 27 June 1997.

I should be very grateful if you would have the text of the present letter and its annex circulated as a document of the General Assembly, under items 38 and 81 of the preliminary list.

(Signed) Yuriy V. BOHAIEVS'KY
Chargé d'affaires a.i.
of the Permanent Mission of Ukraine
to the United Nations

* A/52/50.

97-19651 (E) 010897 040897

ANNEX

[Original: Russian]

Report presented by Mr. Leonid D. Kuchma, the President of Ukraine, at the ceremonial meeting on the occasion of the first anniversary of the adoption of the Constitution of Ukraine, held at Kiev on 27 June 1997

Fate has decreed that we live in a time of great changes, a time of transition from one social system to another. Furthermore, we are on the threshold of the millennium, which will represent a landmark for all humanity.

Therefore, to turn our attention to the epoch-making events in our recent history is not a tribute to the emotional, ostentatious aspect of achieving statehood and is not a display of grandiloquent self-affirmation. Following an untrodden path, strewn with obstacles and fraught with tribulations, we must constantly strive to carry out a comprehensive and honest appraisal of State and social processes, coupled with some profound soul-searching.

We are committed to thinking about Ukraine today and about how it will enter the twenty-first century, and about the kind of country we shall hand down to our descendants.

It is precisely from this standpoint that I also view the importance of the first anniversary of the adoption of the Fundamental Law of Ukraine. It is important also because the anniversary of the Constitution closely precedes Independence Day and is inseparably linked with it.

At the transition stage of our development, this fundamental document is crucial to our destiny. Its adoption completed the process of achieving statehood and guaranteed the independence of Ukraine. In this way, Ukraine has found itself a permanent place in the world.

The elaboration and adoption of the Constitution is certainly no simple matter even in a more stable and favourable society. In our case, however, where society was at the crossroads, plagued by an atmosphere of anxiety and uncertainty, literally torn asunder by contradictions, this was a task of truly colossal magnitude and complexity.

We succeeded in laying the foundations of our sovereignty in a civilized manner, concerting our actions with the will of the people and strictly adhering to the norms of international law.

The constitutional process was protracted, complex, often ailing, and dragged on for six long years. It also reflected, in concentrated form, the distribution of political forces and the tactics used by them, and the serious clashes in relations between the various branches of power.

The collision of different political interests, often irreconcilable, frequently led to confrontations and bitter conflicts. After three fully valid

drafts had been elaborated, these factions managed to position the country on the brink of a constitutional crisis; but this it succeeded in avoiding, since, at the eleventh hour, wisdom and moderation gained the upper hand. That was also the case in 1995, during the drafting of the Constitutional Agreement between the President and the Supreme Council.

Today, there are different ways of looking at that document, of assessing its pluses and minuses. But it is undeniable that the signing of the agreement diverted us from a dangerous path, saved the leadership of the State and stimulated further work on the Fundamental Law. It became possible to raise the question of submitting the draft to a country-wide referendum when the constitutional process reached a deadlock.

I am recalling those dramatic days not to settle political scores but in order to take into account in the future at least two circumstances.

First. Too much effort and time have been wasted in sterile discussions and infighting. As a result, we have lost momentum and find ourselves permanently short of time for taking decisions and actions of a practical nature. I am convinced: without that, today we would be in a markedly better economic situation, with a more forceful impetus being given to development.

Second. The ambivalent approach to the draft text was carried over to the Constitution itself. Once again there is criticism and uncompromising hostility. Of course, everyone is entitled to his or her own opinion.

In fact, the Fundamental Law also contains several points of disagreement and ambiguous provisions, and the balance of forces has not everywhere been taken fully into account and fine-tuned. But with its adoption, we gained significantly more than we lost. Above all, we averted a division of society, public outrage and manifestations of extreme political intolerance. Moreover - and this is no less important - the very essence of democratic power was preserved, and the relations between its branches and institutions did not even temporarily reach the mutually destructive stage.

There is another undeniable point, and that is now the most important: the Constitution has been adopted, and everyone must reckon with that fact. At the same time, it was adopted not through pressure tactics, as some people may be inclined to believe, but as a result of the convergence of positions, through a civilized and democratic parliamentary procedure.

As a separate matter, I wish to turn to those who associate themselves with the opposition and who completely or in part refrained from supporting the Constitution: some of you took a courageous step by voting in favour of it. I know that, in doing so, you were exposed to moral pressure on the part of like-minded persons. But you did what was required in the interests of Ukraine.

The famous "constitutional night", over which passions are still aroused and around which fantasies and myths are woven, was a graphic display of the law of transition from quantity to quality.

Thus, it was not a single, spontaneous act, but the logical outcome of the entire preceding course of events; although it was, and I agree on this, not exactly a routine event.

It was a manifestation - unfortunately, as yet, a solitary manifestation - of the capabilities of our parliament, divided into irreconcilable political camps, to arrive at a compromise and a consensus, overcoming party interests and group and personal ambitions.

It would be good if such a consensus among the deputies were more often inspired not so much by the instinct for self-preservation as by a desire to carry out fully their designated task.

In giving to all those who fashioned the Constitution their proper due, I take the opportunity to note that Ukraine has made a breakthrough to a qualitatively new standard and has embodied it in its Fundamental Law - the objective, natural result of social development.

It has been selected and achieved through the suffering of all preceding generations.

The genealogy of the Constitution of an independent Ukraine dates back to the "Laws of Rus" of Yaroslav the Wise and the Constitution of Pilip Orlik, the Constitution of the Ukrainian People's Republic and the Declaration of State Sovereignty.

And today we must pay tribute to our illustrious predecessors. We must express our gratitude to all our compatriots, to our friends abroad and to the entire Ukrainian community, whose understanding and support were a sturdy pillar, a powerful force driving the constitutional process.

We have every justification to view the Constitution as a social compact. And, consequently, to count on its all-embracing, creative role in the interests of the Ukrainian people.

There is one most important condition: we must live and act by the Constitution. It would be premature to say that we have already learned to do that. We are not convinced either by the attempts to revise the Fundamental Law, to incorporate it into the existing legal field, by procrastination in the adoption of constitutional laws or in the form of attempts to "retouch" the constitutional provisions. It is disappointing, but true: no one belittles the Constitution now as much as those who even to this day associate themselves with its predecessors.

I emphasize once again: the President will continue steadfastly to carry out his duty as a guarantor of the Constitution.

The significance of the Fundamental Law, and its influence on the life of the State and society, may be evaluated more fully only with the passage of time.

Is it necessary, then, to talk about this today?

I am sure it is necessary, indeed essential. This is in order not to lose our sense of direction under day-to-day pressure, and to ensure a continuous and objective analysis.

What in specific terms has the Constitution given us during its year in force, and how does it justify the hopes placed in it?

I shall speak only of its most fundamental features:

- The building of the State is being carried out in a more or less defined framework, and the activities of State institutions and the relations between them have been incorporated into the constitutional structure;

- People have finally become aware of the concept of the State;

- The nation is being transformed from an object of politics into its highest subject, and the people's freedom of action is being expanded in the political and economic spheres;

- The social movement has taken a new turn - from totalitarianism to democracy - and we are developing with the aid of multifaceted forms of management and property ownership;

- The contours of the socio-economic structure of the State have been outlined;

- We have developed the predictability of socio-political processes; ideological fetishism has been laid to rest and political pluralism has been reinforced;

- A favourable international environment has been created for strengthening State security and resolving internal problems.

I have in mind first of all the signing of a full-scale treaty with Russia which will lay the foundations for the development of good-neighbourly, equal and mutually advantageous relations. This is prompted by the very nature of our countries, by their history and contemporary realities.

Another important step from the standpoint both of ensuring the national interests of Ukraine and of improving the European climate was the signing of the treaty with Romania.

The treaty on the State boundary with Belarus enabled a successful start to be made on solving such an important question with the former Soviet republics.

The document which completed the final chapter of the serious and at times tragic events in the history of Ukraine and Poland was the Joint Declaration Towards Understanding and Unity.

Ukraine has not only demonstrated but also confirmed in practice its yearning to live and coexist with its neighbours and with all States in accordance with the highest civilized standards.

I have dwelt in more detail on the international aspect in order to show that, where there are fewer political squabbles and in-fighting, real, discernible results can be achieved.

I consider it essential to stress that point in particular.

The principal results are the following:

- We have concluded the period of establishing the State, which took six years, including the one year of life under the new Constitution;

- The main structure of the State has been erected, and must now be reinforced and completed, especially in the economic sector;

- Moreover - and this is very important - the basis has been laid for a transition to the attainment of a vital constitutional formula: the human person - the family - the society - the State.

Firstly, the whole logic of our development leads to this. We have left behind us the stage in which, for the sake of establishing the State and determining its features and structures, it was necessary to sacrifice the interests of the people.

Secondly, this is also required by the socio-economic situation, which in most recent times has already become more acute, chiefly for subjective reasons.

Thus, experience in the world testifies to the fact that market transformations are always accompanied by a crisis and are fairly prolonged in time. Especially if they coincide with a change in the political system. But even taking that into consideration, and also the fact that we proceeded to create a State and restructure society in the worse days of the crisis in the Soviet Union, their social consequences and cost surpassed the highest acceptable limits.

Nevertheless, let us take an unprejudiced look at the initial positions at the time of the proclamation by the President of the policy of radical economic reforms, which, as I recall, was approved by the Verkhovna Rada in October 1994.

The world classification has placed Ukraine among the leading nations in terms of declining production. In the past year alone, the volume of industrial production fell by almost 28 per cent, agricultural production by 17 per cent, and the gross domestic product by 23 per cent.

The State budget deficit exceeded the critical level several times over. The budget was balanced almost entirely by the printing of banknotes.

The economy was in a state of runaway inflation which constantly spiralled upwards, engulfing everything - the incomes of the population, budget revenue, and the fixed assets and working capital of enterprises and organizations.

The level of inflation in 1993 reached 10,200 per cent, an increase of 102 times. And that occurred at a time when about 70 per cent of all prices were

State controlled and the mechanism for fixing the rate of exchange was in operation.

For a period of nearly two years, Ukraine did not service its external debts: there were simply no funds available for that purpose.

It is already clear from the data provided that crises of such a magnitude cannot be overcome quickly and simply.

Nevertheless, in two and a half years we have basically completed the phase of monetary stabilization. We have liberalized prices, exchange rates and the foreign-trade machinery, and achieved small-scale privatization and denationalization of lands. We have introduced the system of "market servicing" of the budget deficit, without the issuance of currency. The overall trade deficit - the monstrous outcome of the administrative system - has been eliminated.

The Ukrainian grivnya has become one of the most stable currency units. During the present year, the average monthly inflation rate has not surpassed 1 per cent. The National Bank discount rate is 21 per cent, as compared with 300 per cent in October 1994.

Last year the export of our goods and services rose 20.8 per cent. That is one of the highest indicators among the countries of Central and Eastern Europe.

As we see it, we have largely succeeded in levelling out from an almost uncontrollable economic nosedive. But we did not manage to stabilize the economic situation - we can only speak of slowing the onset of a crisis.

Furthermore, we must acknowledge that, following the adoption of the Constitution, we not only failed to give any perceptible impetus to economic reforms but in fact noticeably slowed them down.

What we have done so far has had no lasting effect; the situation is not improving. And that is largely because the fall in production has not been rectified, and the budget has not been balanced. The payments crisis is becoming particularly acute.

One of the problems that is exacerbating the social atmosphere to the extreme and arousing political passions is the mounting arrears of indebtedness in payment of wages, pensions and student grants. Since January 1996, the volume of unpaid wages and salaries alone has grown nearly nine times.

For those people who do not receive their pay at the proper time, it is a poor consolation to know that between October 1994 and April 1997 the average wage grew more than fourfold in terms of the United States dollar, from $22 to $90.

Added to that are the rise in unemployment, the lack of a safety net for the most vulnerable sectors of the population - pensioners, the disabled, large families, youth - and an increasingly stratified society.

The majority of the people today have grounds for expressing their just claims to me as President, to the Government, to the Verkhovna Rada, to the leaders at all levels, in other words, to the State authorities. And to pose a perfectly logical question: What is the use of reforms when life is getting worse?

We must not try the people's patience any further.

All of us - the President, the Government, the parliament - must honestly and frankly acknowledge the mistakes and miscalculations that have occurred, and must do so dispassionately, without unnecessary emotion. But, using the most exacting criteria, we must analyse the reasons for the continuation of the economic crisis, the degree of responsibility of each of us, and the tasks which must be accomplished in accordance with our duties and powers.

Calling things by their real names, we should say:

The Government with its various structures has found itself unable to ensure systemwide and effective management of the economic and social processes and proper implementation of the reforms; its has displayed poor initiative and spent its time largely "putting out fires". During the most recent period, the "shadow" economy has greatly expanded and, in addition, the investment climate has become even more unfavourable.

The over-politicization of the parliament has led and continues to lead to serious breakdowns in the legislative process. This results in economic loss and continual infighting among the branches of power.

I do not absolve even myself from guilt, especially in matters of staffing.

The situation has brought the State to the most serious and crucial period in all post-Soviet history. All attention, efforts and resources must now be focused on the economic problems.

It is time we understood the futility for the country of constantly questioning the appropriateness of the reform measures. They are justified, and will endure. We must have firm resolve and must take action.

Now let us turn to the set of urgent measures that need to be implemented at the earliest opportunity or in the years to come.

First. What is needed is a real liberalization of the economy of Ukraine. Today it is unfavourable to the domestic producer and holds little attraction for the foreign investor.

First of all we must complete the reform of the tax system. Consequently, we need to cut the tax burden by about half compared with the current year. This above all concerns the deficit in the wage fund: we must reduce it to 38 per cent in 1998 and 28 per cent in 1999.

It is important to adopt the whole legislative package proposed back in December of last year and, in that connection, to complete the first phase of the tax reform. The State budget for 1998 must be completely restructured.

Parliament must work with determination towards the adoption of the legislative package before the holiday recess.

Second. We must translate into practical terms the problem of reducing State expenditure. Before the end of this year we should already cut administrative costs by one quarter and eliminate benefits paid to officials who do not qualify for them.

This, I want to underline, will not affect pensioners and the more vulnerable groups of the population.

One way or another, we must block all channels of illegal enrichment at the expense of the State budget. A procedure is being introduced whereby the distribution of State tenders will be carried out exclusively on a competitive basis.

Any actions by officials to use surreptitious, unsupervised procedures to distribute State funds will be deemed direct complicity in corruption.

Third. A substantial acceleration of privatization is needed.

Here, important steps will be the adoption of specific procedures to ensure its transparency, a transition from certificate-based to monetary-based privatization, with maximum involvement of foreign and domestic investors in this process, and the establishment of real ownership.

All this work will be combined with a substantial strengthening of the manageability of the State sector of the economy.

During the second half of this year a list of State enterprises will be drawn up and their legal status will be determined. This will be based preferably on enterprises in which production is ineffective in market terms but which are vital for society.

These include enterprises which it is essential to leave under State control. They comprise such areas as nuclear energy and weapons production.

It will be necessary to make the appropriate allocations in the 1998 budget.

By the end of this year we are planning to transform the remaining State enterprises into public joint-stock companies, and to place them under the regime of corporate management and administration.

It is planned to speed up the reform of relations and types of management in such critically important branches of the economy as energy, the coal industry, machine-building, and housing and utility services.

It will be of primary importance to expand the range of goods sold, and to apply the resulting funds to post-privatization refinancing of the requirements of enterprises in terms of investments and the settlement of debts and non-payments.

Decisive steps will be taken to spur privatization in the agro-industrial complex. Here we shall have to start virtually from scratch.

It is necessary to demonopolize as soon as possible enterprises for the processing and selling of agricultural products. At the same time, the primacy of the interests of goods producers must be respected.

Fourth. The restructuring, stabilization and rehabilitation of industry must be carried out through the application of a package of non-inflationary stimuli and the activation of the investment process.

A number of such stimuli have already been devised, thanks to the introduction of new types of taxes on added value and profits of enterprises, a system of accelerated depreciation, the restructuring of the debts owing by businesses, and so on.

I consider it essential to introduce the practice of concluding investment agreements with major foreign and local investors, which would include tax holidays, by granting temporary relief from tax levies and other changes. This will require the relevant decisions of the Verkhovna Rada.

The strengthening of the role of State investments will represent a new approach.

Expenditure on the financing of branches of the economy will be determined primarily on the basis of priority aspects of the restructuring process. I have in mind in particular the development of the agro-industrial and the fuel and energy complexes, and the implementation of a clearly defined set of comprehensive target-oriented and scientific and technical programmes.

In the light of budgetary constraints, the financing of capital investments will be carried out only on a competitive, credit basis through banks authorized to that end.

State support for science will be strengthened. Foreign credits, guaranteed at the Ministerial Cabinet level, will be directed primarily towards new technologies.

To stimulate exports of high-technology products, a mechanism will be introduced in 1998 to free exporters from payment of tax on profits derived from the increased volume of exports compared with the preceding year.

A key link in the system of State support for the agro-industrial complex will be the establishment next year of a leasing fund for the technical modernization of agriculture using budgetary allocations currently used for State purchase of grain. State orders for grain must end in 1998.

More concerted efforts will be made to bring bank capital into the economy, above all by means of setting up industrial finance groups and other structures, and by lifting the curbs on the right of banks and investment funds to own the assets of enterprises.

Fifth. Strict economy will be introduced. The urgency of this measure is readily apparent, if only on the basis of the following example.

In terms of effectiveness in the use of energy resources, Ukraine occupies one of the lowest places in the world. It is enough to say that every year we waste 4-5 billion cubic metres of gas. That is worth almost half a billion dollars. Which Government can allow itself such a luxury?

In particular, I have instructed the Government to draw up a three-year State programme to reduce internal consumption of gas by 20 billion cubic metres.

Order - strict order - will be introduced everywhere.

By the end of the year the whole budget structure will be placed entirely under the State treasury.

Sixth. Measures concerning the legalization of the shadow economy will be worked out and implemented. The far-reaching, country-wide, liberalization and optimization of the economy will greatly assist in this process.

I intend to put forward a proposal concerning the legislative drafting of an amnesty for the illegal export of capital from Ukraine, provided it is repatriated.

Let us turn to the radical measures for normalizing the situation in Ukraine's liquid market. Structures that will operate in support of the State in the high-yield sectors of the market, such as the gas industry, will be determined on a competitive basis and only through government contracts. The yield from this activity and the guidelines for setting prices and levying taxes will be clearly determined.

Seventh. Foreign policy will be linked with the economy. This will be facilitated through the solution of basic political questions in relations with other States and the reaffirmation of Ukraine in the world. This will take place on several tracks and will be based on Ukraine's national interests.

Foremost in this phase will be the efforts to attract the resources of international finance and credit organizations in solving the most pressing problems of economic development and social protection of the population.

Accelerated efforts will be made with a view to financing the closure of the Chernobyl nuclear power station in accordance with the arrangements arrived at with the countries of the Group of Seven.

We have on our agenda the intention to translate our achievements in relations with our main partners - Russia, the United States of America, Japan - into concrete, mutually advantageous economic cooperation.

We shall give particular attention to the development of relations with the countries of the European Union - especially Germany, Great Britain, France and Italy. Implementation of the plan of action of the European Union regarding Ukraine is an important prerequisite for the entry of our country into the European economic sphere.

Our bilateral economic relations must be focused on liberalizing them from artificial constraints. Especially with Russia. In the first quarter of this year our trade with Russia fell by 20 per cent. Just today this question together with others was further discussed during a telephone conversation with Boris Yeltsin.

The development of mutual relations with neighbouring countries in the region will be greatly strengthened. These problems are worth discussing at the next meeting of the bilateral intergovernmental commissions.

Eighth. This concerns the social sphere - an important subject. Efforts will be directly primarily towards eliminating the arrears in the payment of wages and salaries. For that we shall resort to extraordinary measures, such as making the owners responsible for enterprises which have become indebted towards their staff, and dismissing their managers. We envisage the possibility of the sale by auction of the liquid funds and currency stocks of these enterprises and the use of the proceeds to pay the staff.

A draft law will be introduced in the Verkhovna Rada under which enterprises and organizations covering the whole spectrum of ownership that have allowed themselves to get into arrears in payment of wages and salaries will be prohibited from raising their tariff and pay rates until the arrears are paid off. Those which fail to pay off their debts to the staff within six months will be subjected to bankruptcy proceedings.

This year, prices and tariffs for housing and utility services will not be raised. Transition to the full payment of their value by the population will be introduced in phases, in conjunction with the implementation of reforms in housing and utility services.

The system of granting housing subsidies will be perfected.

The effect of the government decision concerning the cutting off of the gas and electricity supply to individual users who have unpaid arrears will be suspended.

Compensation for the losses incurred from the depreciation of savings will be phased in from the fourth quarter. In the following year, a system of insurance of people's savings deposits will be introduced.

People's incomes will be guaranteed against inflation in the event that this exceeds 5 per cent per month.

Reform of pensions will begin in 1998 and will be fully phased in by the year 2000.

The minimum size of the pension will be brought up closer to the poverty line. Pensions will be graduated in terms of length of service and contributions.

Is it right, everyone is asking, that a State employee, let's say, at the level of office secretary, receives a pension twice as high as the director of a large enterprise?

In general I want to propose to the parliament that it suspend for five years the effect of a number of provisions of the law on the civil service.

Next year we shall begin the structural reform of the wage and salary system.

The constitutional provision on the right of citizens to receive a minimum wage not lower than the poverty line will be phased in. The wage will be raised to the level of 60 per cent of the average in the economic sector.

Given the worsening of the unemployment problem, each economic-policy measure will in future be evaluated from the standpoint of employment, the creation of new jobs and the improvement of working conditions.

The specific measures envisaged include assistance to small and medium-sized businesses, the creation of conditions for all those who wish to carry on a business, and the organization and development of social services.

In July 1997 the Decree of the President of Ukraine on "Social-policy guidelines for the period 1997-2000" will be promulgated. One of the deputy prime ministers will be engaged exclusively on this task.

Special attention will be devoted to health care, education and science, since these are fields where the most glaring deficiencies have occurred.

Even a short outline of the urgent anti-crisis measures which the Government has been entrusted to formulate, indicates that we must make a real breakthrough in an important field of State construction - the economic sphere.

This is a complicated and laborious task. It calls for a high level of accountability of the authorities towards society and towards the people, and for the requisite organizational and legal guarantees.

This is all the more important, since we have found ourselves in an emergency situation largely because of prolonged disagreement between the central and regional organs of authority.

Today, when our future is at stake, it is necessary that people finally come to their senses and abandon internal squabbles, intrigues and politicking. Either we come together in solidarity and begin to act in accord, in a manner

required by the situation and in concert with the expressed will of the people, or others will do this for us.

We need to give up the one-track, primitive view of the distribution of authority as a "free-for-all" based on the principle of "who is more important or higher-ranking". The Constitution has already given an answer to that, and there is no use in each person interpreting this in his own way.

The division of power must now be a division of labour - labour that is coordinated and targeted towards a specific, agreed result.

That result can be achieved only when we realize that we are not politicians with fickle interests and moods, but truly responsible statesmen. I want to stress once more: the essence of power is responsibility. I have not declined and will not decline responsibility. But I would like each one to carry his own burden.

I am addressing these words also to the people's deputies. They must not get the idea and adopt the practice whereby meetings of the parliament often turn into political gatherings, while the fate of important draft legislation depends on subjectivity and pure chance - for example, on the number of parliamentarians who decided during the voting to go for a meal break or on those who reappeared after the smoking break. And what about the inter-party fighting where deputies even came to blows, or the surreptitious lobbying behind closed doors!

We could perhaps have refrained from devoting attention to this on the eve of the holiday, but for the increasing recurrence of the malaise of the Ukrainian Parliament - the assumption of extraordinary functions by law, in breach of the Constitution. Thereby forgetting that the parliament is an organ for the adoption of laws, not an administrative-managerial-regulatory-distributive structure.

Let us not dwell on the legal aspect of the matter. Let us take what is most obvious. When decisions are approved by several hundred people, and, what is more, the voting takes place with such a large number absent, or when they change their votes to achieve the result desired by the leadership of the Verkhovna Rada, there is no one to answer for the quality and consequences of such decisions.

In the final analysis, these decisions are quite simply not legitimate.

It is already clear not only to politicians but also to the ordinary citizen: with the approach of the parliamentary election of deputies, only one thing is of interest and concern - it is the law on the elections and their future result.

There is no doubt that the growth of pre-election passions arising from political opposition and populism seriously destabilizes the situation in the country and society, paralysing all efforts to overcome the crisis in the economy. That is precisely why we have neither a budget for the current year

nor any assurance that it will be adopted in the coming year, when the pre-election race will enter the home stretch.

There is no lack of proof that our legislation is like a patchwork quilt riddled with large holes. And judging from past experience, we do not know when the newly elected deputies will get into a steady rhythm of work. In addition to that, we shall have colossal economic expenditure.

In view of all this, I am ready to consider proposals concerning the prolongation of the full powers of the Verkhovna Rada for one more year. On one condition: this time must be spent not on political wrangling but on the adoption of the most urgent legislation, primarily in the economic sphere and in the development of constitutional provisions, as the parliamentarians have undertaken to do. In a few days I intend to have a meeting with the various factions for this purpose.

Otherwise we shall have to propose that the people's representatives go off for the holidays and dedicate themselves fully to the electoral campaign. Indeed, the performance of the deputies regular functions has already been pushed into the background. The State and the people will not be much the worst off for that.

Anticipating possible questions, I will say straight away and unambiguously: the continuation of the powers of the Verkhovna Rada would not signify a postponement of the presidential elections. They will take place, as provided for by law, in October 1999.

I also propose that the authority of the organs of local self-government should be extended for a certain period.

It would be appropriate if the Verkhovna Rada took a decision to put into effect a number of provisions of the law on local self-government with effect from 1 January 1999. I have signed it, on the condition that my proposals and observations are taken into account, in order not to create an additional source of tension. The first steps in the implementation of the law have confirmed the justification of the stand taken by the President.

I should add that a minimum of 5,000 additional staff will be assigned to the organs of self-government.

The second and no less significant reason for our present situation is the patently unsatisfactory level of leadership of the economy. I am not going to bring up again my views on the activities of the Ministerial Cabinet.

I shall merely say: instead of organizing its work, the Government, by the will of the Prime Minister, has gone over to "manual drive". This, apart from everything else, is fertile soil for unaccountability and corruption.

That is why, without losing any time, we must build up a system of management, carry out an administrative reform, and in general aim for comprehensive State and law reform.

I intend at the earliest time to set up a Supreme Economic Council, as a consultative, deliberative organ of the President of Ukraine.

It will be proposed that the membership of this body will include - in addition to the government leaders, a number of deputy prime ministers, ministers, the President of the State Property Fund and the President of the National Bank - the Chairman of the Verkhovna Rada and the chairmen of various parliamentary economic committees, former prime ministers of Ukraine, scientists and entrepreneurs.

The Council will have the task of elaborating and agreeing on proposals and decisions concerning strategically important aspects of economic development. Working Groups set up under its aegis, operating in their respective fields, will oversee the whole process for each specific question - ranging from the drafting of proposals, laws and decisions to their practical implementation.

The first matter awaiting the Supreme Economic Council's attention involves questions relating to the budget for 1998.

The Government and the parliament should assume mutual obligations. I propose that the Verkhovna Rada and the Ministerial Cabinet conclude a memorandum on joint actions to be taken for the period covering economic stabilization.

The Government must submit a budget proposal for the coming year within the time-frame established by the Constitution, and the Verkhovna Rada must endorse it within 60 days at the latest.

Experience of past years, to say nothing of the present year, indicates that the budgetary process must not go unprotected. Indeed, the State itself is left unprotected. Responsibility for the interruption of the budgetary process must be borne by all those concerned in that process.

Tell me: it is thanks to whom - not to mention all the other matters - that we managed to waste US$ 1.5 billion? That was for wages, pensions and other outgoings.

That is why I am addressing these words to A. Moroz: You have fulfilled your socialist duty and presented the country with a budget by Constitution Day. The President still has to analyse it thoroughly. I urge that the budget for next year should be adopted by the New Year holidays.

As a way out of the legal irregularity of this matter, I would not rule out the possibility that the President, in a manner that accords with the Constitution, be given the right to endorse the budget, in the event that the parliament and the Ministerial Cabinet cannot reach agreement within the set time-frame, or to dissolve the Verkhovna Rada in the event that the budget is not adopted. And if the Government is guilty of disrupting the budget process, then it should be dismissed.

As to the administrative reform, the relevant proposals will be elaborated by the commission headed by Leonid Makarovich Kravchuk. This work will be

carried out in a balanced and comprehensive manner. We do not need hasty, impulsive and inconsistent innovations and experiments involving the structure and staff of administrative bodies. We have had enough of the mere changing of signboards, of the itch to reorganize, not to mention the tampering with this or that organ to suit certain people. Until such time as the commission draws its conclusions, no measures will be taken in this area.

We need changes of substance. But the substance, I repeat, consists in having everywhere, be it in the regions or the capital, efficient and comprehensive administrative machinery, not in having the show run by petty bureaucracy and officialdom where "anything goes".

I do not mean to denigrate civil servants. But they must work within the system and in accordance with its rules, not to accommodate those rules to themselves, to their personal interests.

Our people deserve authorities that are not only capable but also honest. Therefore, among the measures to be taken, I give pride of place to the need to extirpate the deeply rooted corruption and to free ourselves from those whose reputations are tainted. We shall put an end everywhere to that situation where a post in the civil service is turned into a source of enrichment.

That has ended, regardless of functions and ranks. Admittedly, I have no illusions that everything will be easy and plain sailing.

It would be a demonstration of patriotism and an effort to "clean up" the authorities if the Verkhovna Rada were to divest the deputies of their immunity in cases of corruption and abuse of their official position.

I want the whole country to know: every sixth official accused of corruption is a deputy at one level or another.

At the same time, I propose that the Verkhovna Rada urgently amend the legislation in order to enable the National Bureau of Investigation to expand its work.

Procrastination in dealing with the relevant submission from the President which must be considered as a matter of urgency, since for nearly two months the parliament has refused to finance the structure required to combat corruption, especially at the State level - logically leads to the question to which the people at large demand an answer: What are the people's elected representatives afraid of?

All efforts and resources must be harnessed in order to combat the classical black triangle: the shadow economy - lobbying and clannish interests - criminality.

By all accounts, the present phase of the reforms - and this already applies right across the board - needs to be oriented more towards the new generation of key personnel, namely, professionals and pragmatists. Personnel whose patriotism is manifested not in loud slogans but in a sincere attitude towards the State and the people, in a desire to do something for them.

In the face of the unprecedented problems, we must rely especially on people with high moral values, to refrain from vitiating the moral and psychological atmosphere in society, on which civil peace and harmony as well as political stability directly depend.

Since no one denies that only honest politics can be moral, reflecting the interests of the people, I appeal to the parties and the leaders that they refrain from antagonism and confrontation. Any politics based solely on that are immoral.

The human person is our highest value, and humanity is the goal of our development.

That should be the philosophical basis of the activities of those who are capable of rising above narrow party interests, of those who are responsible for the fate of Ukraine.

The need for a political structuring of society is dictated by the appropriateness of a mixed electoral system. As always, I am open to a dialogue with all parties, social organizations and movements. I am ready to consider concrete and constructive proposals.

Too much has already been done for the people not to believe in exhortations and appeals. It is also obvious that strikes and other mass actions will not help matters. Therefore I urge trade unions and workers' collectives to refrain from nation-wide, sectoral and regional strikes for, say, one year.

A much bigger role in strengthening the moral foundations of our society and consolidating it can and must be played by the church in Ukraine. That, in turn, calls for bringing order to their mutual relations. For inter-denominational strife is sometimes more dangerous than political and social conflicts, taken together.

Perhaps the initiative of the National Security and Defence Council and the most influential Christian churches may be regarded as the first attempt to deal with such strife. I am speaking of the memorandum on the non-use of force in solving inter-faith conflicts.

That is a wise decision. I welcome it, support it, and hope that it will yield real, positive results.

In a situation of heightened popular emotions and vulnerability, the position and practical actions of the intelligentsia and its influence on the social conscience carry particular weight. I hope that, as during the period when we were attaining independence, the intelligentsia will play a crucial role in enhancing our spiritual climate and strengthening the national consciousness and national will, causing people to listen to reason, act in harmony, and channel their energies into reconciliation and creative activity. In other words, it will assist us in being a nation, a country, and not simply a population with territory.

I believe that our aspirations, intentions and practical actions will meet with understanding and support from Ukrainian journalists. Right now it is hard for them to do their work. The attitude of quite a few officials towards the press, is not very benevolent, to put it mildly; the groping tentacles of illegal capital and the criminal underworld have reached into the information world, waging war against anyone who arouses the monster's ire.

Freedom of speech is an integral and primary characteristic of democracy. And the State will protect it in every possible way, including the strengthening of the economic independence of the mass media.

But duties and responsibility must be mutual. We must acknowledge that now, when practically all official restrictions have been lifted and the press has been fashioned into an extremely sharp-edged instrument, its use demands, as never before, objectivity, balance and scrupulous attention to the facts. The yearning for freedom of expression, for creative emancipation, must always go hand in hand with the interests of promoting the solidarity and health of society.

Our Constitution is but one year old. And, naturally, the date of its approval, by all accounts, has not yet been perceived as a special day in the life of the nation, not to mention the individual citizen. Time, faith and intensive work are needed before the constitutional underpinnings are made part of our lives through specific and visible changes.

Therefore let us proceed from the principle that Ukraine begins with each one of us. It is within our powers to preserve a society in which conditions for the all-round development of the person will be created, a society where humanism, democracy, law and justice will reign, and where material sufficiency will be correlated with the quantity and quality of each person's labour.

A strong nation, a just society, a worthy life - each of these responds to the noble principles of our Constitution.

UNITED NATIONS **A**

General Assembly

Distr.
GENERAL

A/52/231
23 July 1997

ORIGINAL: ENGLISH

Fifty-second session
Items 8 and 96 of the provisional agenda*

ADOPTION OF THE AGENDA AND ORGANIZATION OF WORK

THE SITUATION IN THE OCCUPIED TERRITORIES OF CROATIA

Letter dated 22 July 1997 from the Chargé d'affaires a.i. of the Permanent Mission of Croatia to the United Nations addressed to the Secretary-General

In accordance with instructions from my Government, I have the honour to request the non-inclusion of item 96 of the provisional agenda entitled "The situation in the occupied territories of Croatia" in the agenda of the fifty-second session of the General Assembly.

The request is made bearing in mind that, following the recent nationwide local elections, new local authorities have been elected and established in the last remaining occupied territory of Croatia, and that the reintegration of that territory has been largely completed.

The request is made pursuant to paragraph 19 of annex V to the rules of procedure of the General Assembly (A/520/Rev.15), whereby the Special Committee on the Rationalization of the Procedures and Organization of the General Assembly recommends that "Member States should take special interest in the contents of the Assembly's agenda and, in particular, in deciding ... on the elimination of items which have lost their urgency or relevance[.]".

An explanatory memorandum concerning the request is attached herewith as an annex to the present letter.

* A/52/150.

READEX Best copy available

May I request your kind assistance in circulating the text of the present letter and its annex as a document of the General Assembly, under agenda items 8 and 96 of the provisional agenda.

(Signed) Vladimir DROBNJAK
Chargé d'affaires a.i.

ANNEX

Explanatory memorandum

On 29 May 1994, Croatia requested (A/49/142) that, in accordance with rule 13 (e) of the rules of procedure of the General Assembly, an item entitled "The situation in the occupied territories of Croatia", be placed on the agenda of the forty-ninth session of the General Assembly. Croatia's request was accepted by the General Assembly on 23 September 1994.

During its forty-ninth session, the General Assembly considered this item for the first time, and following a debate, on 9 December 1994 it adopted resolution 49/43 in this regard, with a vote of 142 to none, with 18 abstentions.

In the resolution, the General Assembly gave firm support to Croatia's territorial integrity within its internationally recognized borders. Inter alia, it expressed alarm and concern that the situation in the Serbian-controlled parts of Croatia was allowing and promoting a state of occupation. It called on the Federal Republic of Yugoslavia to stop its military and other activities in Croatia aimed at integrating the occupied parts into the Federal Republic of Yugoslavia. It called for the reintegration of the occupied territories into Croatia. It called upon the Federal Republic of Yugoslavia and Croatia to recognize each other within their internationally recognized borders.

After the adoption of resolution 49/43, no progress was achieved, however. In fact, the situation in the occupied territories deteriorated further, and in April 1995, a terrorist act which cost lives spilled over from the occupied territories, in this case from the territory formerly known as Sector West, into a free part of Croatia, to which the Croatian Government was compelled to respond. The Sector was reintegrated into Croatia as a result of the security operation "Flash" that followed.

A few months later, in July 1995, the situation in neighbouring Bosnia and Herzegovina became unravelled with the fall of Srebrenica and Zepa, the United Nations-designated safe areas, and the commencing of an offensive against Bihać, another safe area. The occupying personnel and matériel in the occupied territories of Croatia, the former Sectors North and South in particular, became involved in the assault on Bihać, because the fall of Bihać would further reinforce the geostrategic relationship between the occupied territories and the Federal Republic of Yugoslavia. The Croatian Government could not allow this to occur, nor could it allow an influx of 200,000 new refugees from Bihać to enter Croatia, which was already overburdened with 400,000 refugees and displaced persons, equal to almost 10 per cent of its population. The fall of Bihać became a most serious threat to State viability, territorial integrity, economic stability and internal security of Croatia to which the Government was compelled to respond. The security operation "Storm", which ensued in August 1996, reintegrated the two Sectors into Croatia and saved the Bihać safe area in Bosnia and Herzegovina.

The two security operations reintegrated former Sectors West, North and South. Sector East, also known as the region of Eastern Slavonia, Baranja and Western Sirmium, or the Danube region, remained occupied. The Government decided to reintegrate this territory by peaceful means with the assistance of the international community The negotiations to that end between the Government and the proxies of the occupying authorities were completed on 12 November 1995 with the signing of the Basic Agreement (S/1995/951) in the occupied town of Erdut. A multinational authority, the United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium (UNTAES), was established by the Security Council and deployed in the region in January 1996, for the purpose of peaceful reintegration of the region into Croatia's constitutional and administrative system.

During its fiftieth session, in the fall of 1995, the General Assembly supported Croatia's motion to defer the consideration of the item until the following session. The negotiations aimed at peaceful reintegration of this remaining occupied territory were being carried out during the time period envisioned by the Assembly for its consideration of the item. The Assembly did not wish to influence nor prejudge the outcome of negotiations by its activity.

During its fifty-first session, in the fall of 1996, the General Assembly supported Croatia's motion to defer the consideration of the item until the following session. The Security Council was considering the prolongation of the UNTAES mandate in the Eastern Slavonia region during the time period envisioned by the Assembly for its consideration of the item. The Assembly did not wish to influence the Security Council debate on the specific issue by its activity.

On 13 April 1997, local elections were held throughout Croatia, including the Eastern Slavonia region, for the first time since the occupation. The elections in the region were certified free and fair by the Transitional Administrator on 23 April. The results were certified on 30 April. The new local authorities in the cities and municipalities in the region were constituted by 30 May. The laws of Croatia became effective in the region on 1 June.

The local Serb authorities invited the President of Croatia to visit the region, which he did on 2 June at Beli Manastir. He made an impassioned appeal to the local Serbs to accept Croatia as their State, in the same manner that over 145,000 other Serbs had done elsewhere in Croatia throughout the conflict, and to realize the rights and privileges that these Serbs and other minorities already enjoyed. He appealed for reconciliation, tolerance, moderation and coexistence with other non-Serb citizens in multi-ethnic Croatia. The President repeated his appeal on 8 June in Vukovar - the eighth such public overture to the former rebels in a 12-month period.

Prior to the successful holding of elections and the establishment of new local authorities in the region, the reintegration process was advanced by the successful demilitarization of the region and by the establishment of diplomatic relations between Croatia and the Federal Republic of Yugoslavia. The demilitarization of the region was completed on 20 June 1996. The Government estimated that units of the Yugoslav Army and Police, along with their local proxies, withdrew about 140 tanks, 210 artillery pieces, 90 armoured personnel

carriers, 150 anti-aircraft guns and 20,000 personnel from the region. Two months later, on 23 August, Croatia and the Federal Republic of Yugoslavia normalized their relations (S/1996/744), and on 9 September established diplomatic relations. The two States made commitments to establish their relations on the basis of good-neighbourliness and to resolve all of their outstanding and future disputes through peaceful bilateral negotiations.

With the establishment of new, democratically elected local government in the region and the ongoing phasing-in of Croatian institutions throughout the region, the occupation of the last remaining territory in Croatia has ended.

Consistent with the achievements in the reintegration process, on 14 July 1997 the Security Council adopted resolution 1120 (1997), which called for the withdrawal of the military component of UNTAES from the region, and for the devolution of the executive authority of UNTAES in favour of the newly elected Croatian authorities. The Government has negotiated an arrangement with the Organization for Security and Cooperation in Europe (OSCE) to assume the long-term monitoring role in Croatia after 15 January 1998, once the timetable for the United Nations presence in the region envisioned by the Basic Agreement expires.

The Croatian Government is now proceeding with a laborious, costly, delicate and time-consuming campaign to return to their pre-conflict homes the mostly non-Serb victims of ethnic cleansing and the mostly Serb persons who were displaced or became refugees because of their affiliation with the occupying authorities. The returns are carefully managed, keeping in mind international conventions which state that they should be voluntary, safe and dignified. The Government is also managing the returns in the only way a responsible Government can - consistent with its internal security constraints, its professional and economic resources and its interest in maintaining regional peace and stability. Over the past two years, 16,000 persons formerly affiliated with the occupying authorities have returned to Croatia.